

DEPARTMENT OF ENERGY
FY 1998 CONGRESSIONAL BUDGET REQUEST
DEPARTMENTAL ADMINISTRATION APPROPRIATION
(Tabular dollars in thousands, Narrative in whole dollars)

OFFICE OF CHIEF FINANCIAL OFFICER

I. Mission Supporting Goals/Ongoing Responsibilities:

The Office of Chief Financial Officer (CFO) provides centralized direction and oversight on the full range of financial activities including: responsibility for the Department's budget formulation, presentation and execution; Department-wide oversight of the requirements of the Federal Managers' Financial Integrity Act (FMFIA); Departmental accounting and financial policies, procedures and directives; operation and maintenance of the Department's payroll system and financial information system/Standard General Ledger; and, performance of financial management functions (accounting, cash management, and reporting). In addition to these Department-wide responsibilities for Headquarters offices, the CFO performs selected financial management functions for field locations; provides oversight of financial operations for the Naval Petroleum Reserves in California and Wyoming; and is responsible for overall quality budget formulation, execution, and financial compliance activities within the Department, including continued improvement of coordination and communications between Departmental headquarters and field organizations. In all, this office supports the financial needs of a \$17 billion enterprise with 17,200 federal employees and 118,000 contractor employees.

This office has absorbed a 22% reduction in personnel since FY 1995 while assuming increased responsibilities. Our success is due to Strategic Alignment Initiatives to streamline processes and increase our efficiency, as well as new initiatives to further the goals of reinventing government, for example, Re-engineering the Budget Process at the Department. One Strategic Alignment Initiative calls for consolidating 19 accounting centers into three by the end of FY 1997. The Capital Accounting Center formerly the Office of Headquarters Accounting Operations will become one of three Departmental Centers of Excellence. The Headquarters center will consolidate six accounting organizations into one center, making it the largest volume accounting center in the Department. The consolidation of accounting organizations will save the Department \$17.7 million and 61.5 FTEs over a five year period, but will minimally increase the headquarters budget. A second Strategic Alignment Initiative calls for outsourcing the payroll function during calendar year 1998. This will result in a cost avoidance between \$7.2 million and \$15 million in systems enhancement costs; however, we will need to invest \$960,000 in FY 1998 to realize these savings.

The CFO Strategic Plan presents a vision of the Department of Energy as a leader in the field of financial management, ranked among the best in government and industry and committed to enhancing its quality. To make this vision a reality, the CFO is focusing on five major thrust areas: Financial Stewardship, Full Partnership, Customer Orientation, Human Resource Management, and Technology/Information Architecture. CFO Strategic Plan supports the Department's strategic goals as promulgated in the Department's Mission Statement and Strategic Plan. The Core Values of the Department are detailed in our goals and objectives. Sound financial management is essential to accomplishing the Department's goals.

Critical Items/Success Factors: In order to support the Secretary's Strategic Goals the CFO has identified four critical items for its organization. These items are: Control Uncosted Balances; Re-engineer the Budget Process; Manage Overhead Functional Costs; and, Provide Audited Financial Statements.

Program Direction has been grouped into four categories:

Salary and Benefits provide for funding for full-time permanent and other than full-time permanent employees, in the following classes: salaries and wages, overtime pay, cash incentive awards, lump sum leave payments, Senior Executive Service and other performance awards, payments to funds for the benefit of employees, workman's compensation, and buy out compensation.

Travel funds finance staff travel for Department-wide and CFO activities including travel associated with the Department's initiatives for accounting consolidation and payroll outsourcing.

Support Services finance technical support services and management support services.

Other Related Expenses finance the acquisition of goods and services that support this office's mission that are not considered support services, in addition to items purchased from the working capital fund, for example, rent, supplies, telephone service, etc.

II. Funding Schedule:**CHIEF FINANCIAL OFFICER
(\$ Thousands)**

	<u>FY 1996 Current Appropriation</u>	<u>FY 1997 Original Appropriation</u>	<u>FY 1997 Adjustments</u>	<u>FY 1997 Current Appropriation</u>	<u>FY 1998 Budget Request</u>
Salary and Benefits	\$16,408	\$13,935	\$1,500	\$15,435	\$14,641
Travel	187	187	0	187	187
Support Services	4,073	3,771	0	3,771	3,767
Other Related Exp	1,067	3,797	0	3,797	3,801
Subtotal	21,735	21,690	1,500	23,190	22,396
Adjustment <u>1/</u>	-196	-335	0	-335	0
Total Budget Authority	\$21,539	\$21,355	\$1,500	\$22,855	\$22,396
Full Time Equivalent	257	223	0	223	205

1/ FY 1997 Adjustments represent the use of \$335 thousand carryover balance in payroll funding.

FY 1998 Funding Summary

The Office of Chief Financial Officer's FY 1998 budget request is \$22,396,000, a decrease of \$794,000 below the FY 1997 funding level of \$23,190,000. The FY 1998 request provides funding for 205 Full-time equivalent (FTE) positions, a decrease of 18 FTEs or -8% from the FY 1997 level of 223 FTEs. The FY 1998 FTEs reflects a 26 % reduction since FY 1995 while accommodating a major increase in the workload by becoming one of three centers of excellence processing centers. The CFO has approached downsizing with the goal of retaining our ability to provide essential functions to the Department in order to ensure the Department's core mission accomplishments. This includes financial and budget oversight to the Department consisting of \$17 billion in annual funding and 17,200 federal employees in addition to 118,000 contractor employees.

III. Explanation of Funding Changes FY 1997 to FY 1998

•**Personnel compensation and benefits:** The decrease of \$794,000 in personnel compensations and benefits reflects the cost of downsizing in FY 1997 (-\$576K), elimination of separations costs (-\$829K); partially offset by the pay raise (+ \$573K), and other (+ \$38K).

•**Travel** funding remains constant with FY 1997 at \$187,000. Travel associated with the Department-wide activities are reduced commensurate with the reduced FTEs; however, there are increased requirements necessary for activities associated with the Departmental initiatives for accounting consolidation and payroll outsourcing. The increase has been offset by a decrease in travel costs associated with compliance reviews. The CFO has

reduced the number of periodic reviews at field organizations as a result of improved performance resulting from closer oversight of financial operations by field managers and focusing on performance indicators rather than field visits.

●**Support Services** funding reflects management and technical support activities. The funding for these activities is \$3,767 K in FY 1998 which is changed slightly from the FY 1997 funding level. (See Table Below) Support services were reduced in FY 1997 from FY 1996 amounts in response to budget reductions in that year.

	FY 1996	FY 1997	FY 1998	FY 1998/FY 1997
	<u>(\$000)</u>	<u>(\$000)</u>	<u>(\$000)</u>	<u>Change</u>
<u>CFO Support Services</u>				<u>(\$000)</u>
Financial Management Development Training	\$43	\$43	\$43	\$0
Budget support and financial systems review	664	308	308	0
Management Control Training	24	0	0	0
Payroll Support	28	28	28	0
Support on the updating and reviewing of the Accounting Handbook and Actuarial Support(FY1997/8)	20	98	98	0
Subtotal	779	477	477	0
ADP Support:				
Support for development enhancement of the Department's single financial management system (DISCAS,MARS, FIS)	950	812	809	(3)
Support for any Department-wide finance accounting and budgeting systems				
Maintenance and Enhancement of budget systems	935	1,010	990	(20)
Mainframe/LAN support	908	1,006	1,025	19
Small Department-wide management systems	396	406	406	0
Support for source data collection data entry, data validation and report generation	86	60	60	0
Subtotal ADP Support Services	3,275	3,294	3,290	(4)
Total CFO Support Services	4,054	3,771	3,767	(4)

● Other Related Expenses includes funding for Training, Working Capital Fund, Payroll Initiatives, and Capital Equipment.

Training funding, \$84,000, declines by \$5,000 as a result of fewer FTEs. Training funds will help train the CFO workforce to minimize the impact of lost skills due to downsizing and to maximize the capabilities of the remaining core staff.

Working Capital Fund is \$2,385,000, a decline of \$112,000 from FY 1997 as a result of fewer FTEs.

Other increases by \$117,000 over FY 1997 as a result of initiatives to design executive information systems to improve access to Financial information by other Departmental elements. Other includes funding for additional support necessary to consolidate six accounting centers into the Headquarters accounting center, implementation of performance measures for financial operations and other Departmental Activities required by the Chief Financial Officers Act of 1990 and the Government Performance and Results Act, and reimbursement of costs associated with the Department of Health and Human Services (HHS) grants payment system.

ADP increases slightly from FY 1997. LAN hardware/software purchases increase (+ \$75,000), Workstation maintenance in working capital fund (- \$274,000), and CFO is gaining access to networks (+ \$198,000). Several initiatives associated with the Management Analysis Reporting System begun in prior years are now requiring less intensive ADP support; however, other CFO systems will be undergoing development efforts. The Project Data System will provide management and operating contractors, field offices and headquarters program offices with automated access to a centralized database and processing functions for producing consistent project data sheets. The CFO is charged with developing and maintaining the largest financial information system in the Department. These funds are essential to gain savings in other areas.

	FY 1996	FY 1997	FY 1998	FY 1998/FY 1997 Change
	<u>(\$000)</u>	<u>(\$000)</u>	<u>(\$000)</u>	<u>(\$000)</u>
Training	\$63	\$89	\$84	(\$5)
Working Capital Fund	0	2,497	2,385	(112)
Payroll Initiatives	221	347	347	0
Other	138	140	257	117
Subtotal	422	3,073	3,073	0

	FY 1996	FY 1997	FY 1998	FY 1998/FY 1997
	<u>(\$000)</u>	<u>(\$000)</u>	<u>(\$000)</u>	Change <u>(\$000)</u>
ADP Support:				
Software Procurement /Maintenance Activities/Capital Acquisitions				
Mainframe\LAN Hardware \Software	690	612	687	75
Software Maintenance	507	455	181	(274)
Timeshare	38	38	43	5
Piggyback charges for access to Program Networks	8	119	317	198
Total Obligational Authority	1,665	4,297	4,301	4
Use of Prior-Year Balances <u>1/</u>	580	500	500	0
Total Budget Authority	1,085	3,797	3,801	4

1/ Uncosted balances used to finance FY 1997 and FY 1998 ADP activity.

IV. Performance Summary:

FY 1996/1997 Measurable Activities:

Fulfilled the requirements of the CFO Act of 1990 by submitting 10 financial statements for the Department to the Office of Management and Budget. These statements cover one quarter of the Department's total budget authority, and include power marketing, nuclear material waste management, decontamination and decommissioning, isotope production, oil sale and reserve activities, as well as the Federal Energy Regulatory Commission.

Submitted the FY 1996 Department-wide audited financial statements to the Office of Management and Budget as required under the Government Management Reform Act of 1994.

Select and begin installation of software to provide Executive level financial information to Headquarter and Field Offices.

Implemented the new Consolidated Accounting and Investment System (CAIS) for the Nuclear Waste Fund and Decontamination and Decommissioning Fund. The CAIS saves 20% in staff resources while improving customer service.

Completed all milestones established to implement improvements to the Departmental Integrated Standardized Core Accounting System (DISCAS) for phase two of the Management Analysis Reporting System implementation.

Made substantive progress in outsourcing the Department's payroll.

Coordinated and ensured the quality of the Department's management control program and prepared the Secretary's annual Federal Managers' Financial Integrity Act (FMFIA) Report to the President and Congress.

Consolidated five budget execution directives into a single order as part of the Secretarial initiative to reduce and streamline Departmental Directives.

Initiated Department-wide analysis of uncosted balances and imposed standards on levels for all programs. Intend to reduce funding requests accordingly.

Reduced the inventory of completed construction projects by over 40%.

Provided Congress with an accurate, detailed report on the funding and status of 180 prior year construction projects that are still active.

Re-engineered the Budget Process including: 1) Worked with Congressional staff and significantly improved the quality and shortened the length of the Congressional Budget. 2) Reduced the volume and increased the usefulness of the OMB and Congressional Budget. 3) Streamlined the field budget process to save both contractor and Federal staff devoted to the process while providing needed information to Headquarters in a timely fashion.

Enhanced Budget execution process to distribute funds enhanced to include reimbursable work, eliminating requirements to issue separate allotments for direct funding and reimbursable funding.

Developed a "Status of Appropriations" monthly report in response to a request from the House Energy and Water Appropriation Subcommittee to aid in tracking budget execution of DOE appropriations.

Completed and issued the "DOE U.S. Government Standard General Ledger Accounting Guide" and electronically transmitted a Standard General Ledger trial balance to Treasury's Federal Agency Centralized Trial Balance System representing all of the Department's non-power marketing financial activity in FY 1995 and FY 1996. The Department completed all system development efforts, including documentation, in accordance with Treasury's current requirements.

Planned and implemented process improvements, automated and otherwise, to travel systems to facilitate ease of use and control of funds while reducing human resource requirements significantly.

Revised and issued the Department's Accounting Handbook as a product of the Secretary's Directives Reduction Initiative.

Completed consolidation of accounting functions from three field accounting centers at the Headquarters accounting center.

Maintained a 95% prompt payment percentage for FY 1996, matching the targeted goal for the Department.

FY 1998 Measurable Performance Activities:

Coordinate and ensure the quality of the Department's management control program and prepare the Secretary's Annual FMFIA Report to the President and Congress.

Complete third and final phase of Management Analysis Reporting System (MARS) implementation. This includes implementing the Standard General Ledger at the transaction level in DISCAS at the Department's accounting centers.

Submit Department-wide audited FY 1997 financial statements to the Office of Management and Budget.

Complete Re-engineering of Budget Process.

Maintain a 95% prompt payment percentage for FY 1998, matching the targeted goal for the Department.

Conduct scheduled business management oversight reviews of Field Office financial activities.

Implement "paper less" travel processing system.

Enhance "Travel Manager" capabilities to include processing of Permanent Change of Station vouchers

Complete conversion, training, and implementation of the payroll outsourcing initiative.

Continue efforts to identify information requirements for targeted Departmental organizations and expand overall Executive Information System applications.